Dissertation Abstract: Essays in Entrepreneurship and Risk-Taking
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These essays investigate several themes in the economics of entrepreneurship and individual risk-taking. The first two chapters explore themes in the economics of entrepreneurship. The second two chapters investigate how experiences influence two measures of individual risk-taking: consumer investment and migration.

Since early stage firms often lack internal finance, the availability of external finance is crucial for their growth and survival. In the wake of the financial crisis, startups in the United States have faced declining capital availability, leading to decreased success in entrepreneurship. Equity crowdfunding has the potential to increase the availability of external capital to startups and has recently been legalized in the United States. However, there are no studies that quantify its impact on the startup financing market. In the first chapter, I estimate the effect of the legalization of equity crowdfunding on startup finance using a novel dataset of startups located in the United States between 2007 and 2017. I exploit variation in the supply of local startup capital across geographies to determine whether crowdfunding had a larger impact on firms located in areas where finance is difficult to obtain. In a difference in differences design comparing firms in areas with low levels of local capital to those with higher levels of local capital, I find that total funding for firms increased on average by $5,000. The effect of legalization was greater in areas with lower amounts of local capital. In addition, I find that the benefit of crowdfunding was greater for firms founded by all females. The gender gap in external finance for startups decreased by 15 percentage points, or 30% after equity crowdfunding’s legalization. These findings imply that equity crowdfunding has increased access to capital for entrepreneurs and may have additional benefits as more investors learn about crowdfunding and participate in equity crowdfunding campaigns.

A growing literature investigates the influence of previous entrepreneurial experience on business performance and managerial decision-making. However, studies focusing on this topic offer mixed evidence on the value of previous experience, often relying on small samples of firms or a focus on a specific industry. In the second chapter, I investigate whether serial entrepreneurs perform differently relative to inexperienced entrepreneurs over the business cycle. In order to address the concern that entrepreneurs may expect economic shocks and delay entry or preemptively exit the market, my identifying variation for economic conditions comes from deviations in long run trends in income, home values, or unemployment at the state level. Using data from the Kauffman Firm Survey, I find that the gap in survival between experienced and inexperienced entrepreneurs increases as the economy declines, meaning that experienced entrepreneurs are more likely to survive a recession than those without experience. At the baseline, experienced entrepreneurs are 6.2 percentage points less likely to go out of business than those without experience. If average state personal income per capita decreases by $1,000, the gap in survival between experienced and inexperienced firm founders increases by 0.1 percentage points. In order to determine the mechanisms behind this effect, I consider two different channels through which entrepreneurial experience influences firm outcomes: through access to resources and through business strategies. I find that the access to
resources channel is dominant, as experienced entrepreneurs are able to access more credit and get approved for larger loans when economic conditions are poor.

The third chapter examines the effect of experiences of economic conditions during childhood on individual investment. A growing literature in economics focuses on the relationship between personal experiences with the business cycle and the formation of preferences and beliefs. There exists substantial evidence relying on identification from national variation in business cycles that personal experiences hold substantial weight in decision-making. However, the use of national aggregates limits researchers to the use of variation in decisions across birth-cohorts. In “Estimating the Impact of Local Conditions on Asset Preferences in Adulthood”, I quantify the change in individual investment decisions due to subnational economic fluctuations during childhood. The use of local economic conditions rather than national aggregates enables identification of separate birth cohort effects from the effect of economic experiences. I find that state conditions during childhood have a substantial lifelong impact on investment decisions, specifically for risky investments. A decrease in average state income during late childhood of 1 standard deviation decreases the likelihood that one invests in stocks by five percentage points. These experiences of periods when state income was lower also decrease the proportion of liquid assets held in stocks by seven percentage points. Finally, I find that those exposed to lower average state incomes during childhood invest more in savings and property and are less likely to be self-employed. This has likely had a substantial impact on wealth accumulation, as those exposed to worse economic conditions invest in lower-yield assets throughout their lives.

The final chapter of my dissertation explores the long-run effects of participants in the Civilian Conservation Corps, henceforth CCC. The CCC was a New Deal employment program for men between ages 18 and 28 that sent them to camps to perform conservation work. At the camps, they were trained in conservation work, were provided with three meals per day, and also had the option to participate in extra educational programs. Narrative evidence suggests that living in these camps led to long-run health and career changes for participants, but this is the first study to quantitatively analyze the impacts. Specifically, I will analyze whether the relocation portion of the program had an influence on migration and investigate whether participation improved the participants’ health and subsequent careers. I will answer these questions by comparing the outcomes of those who did not participate in the CCC with those who did participate. Analysis of this program requires the creation of a novel dataset composed of CCC personnel records, the 1930 Census, the 1940 Census, and Social Security records. The personnel records will be hand collected from the National Archives and Records Administration at Saint Louis and matched using a matching algorithm with the Census records. This project and specifically the data collection efforts are funded by a grant from the National Science Foundation.